Case Summary

Complaint against Hong Kong Housing Authority an Department for mismanagement in the sell-back of an HOS flat

The Complaint

A former flat owner in a Home Ownership Scheme (“HOS”) estate sold his flat back to Hong Kong Housing Authority (“HKH purchase price. He complained against HKHA for –

(a) misleading him on the requirements of sell-back of HOS flats. When HKHA offered the flats for sale, it was not mentioned that the owners must reinstate their flats before selling them back.

The complainant further complained against Housing Department (“HD”), the executive arm of HKHA, for –

(b) misleading him on the procedures of flat inspection, caused him to move out of his flat prematurely and sustain unnecessary interest;

(c) delaying the inspection of his flat o “inspection was possible only after the date of execution of assignment had been confirmed by the solicitor”;

(d) discarding an original wooden door unreasonably such that he had to bear a higher cost for repair and reinstatement works;

(e) deceiving him, as HD did not inform him beforehand that he had to pay an additional 20% on-cost if he contracted th reinstatement works to the Department; and

(f) inefficiency, as HD took a long time to give him the quotation for the reinstatement works.

Sequence of Events

2. The complainant offered to sell his HOS flat back t

original purchase price in November 2001. The offer was accepted by HKHA in December 2001 and the transfer completed in April 2002.

3. When the complainant contacted HD in November 2001, he was told that "everything had to be cleared from the flat before the Department would carry out an inspection". He assumed that it meant the Department would inspect his flat and confirm the cost of reinstatement works once he cle everything and moved out. Since he wanted to have the cost confirmed as soon as possible, two months before the transfer was completed, he had cleared the flat, moved out and requested HD to carry out the inspection. However, H turned down his request, saying that it would arrange for an inspection or after the date of execution of assignment was confirmed by the solicitor.

4. HD explained that in order to help the owners to reinstate their flats, it would, at their request, carry out a "preliminar on the fixtures to be removed or reinstated. However, no quotation would be given at this stage. Only after the owner had removed all the furniture a moved out of the flat would HD carry out the "final inspection" in order confirm the reinstatement cost", but the inspection should be carried out about ten days before the date for execution of assignment. HD pointed out that the complainant had refused to have a "preliminar but requested an inspection "to confirm the reinstatement cost". In this context, the Department believed that he meant the "final inspection". HD, therefore, insisted an inspection be arranged only after the date of executio assignment was confirmed by the solicitor.

5. HD explained that the aim was to avoid any management problems that might arise from premature recovery. In fact, HD had clearly stated in its letter accepting the sell-back that "it would arrange for the final inspection… about ten days before the date for the execution of the Deed of Assignment."

6. It was provided in the operational guidelines to HD staff that during the "final inspection", they must examine carefully the flat to be sold back and ask the owner to sign a "consent form" to confirm the reinstatement items. H technical staff would then send the owner a quotation wi from the final inspection to confirm the costs of reinstatement works.

7. During the "final inspection", HD found that the laminated board on the back of the "original wooden door" had been removed and replaced. So the door was no longer fit for re-use.

8. The HD staff asked the complainant to sign on the "quotation" (instead

of a proper “consent form”) to confirm the reinstatement items o
“final inspection”, but the costs for the items were not listed.
added in the costs on the signed quotation and deducted accordingly from the sell-back price an amount of about $20,000 as the costs for the works and for supervision. The complainant did not receive the completed “quotation” until two hours after he had signed the Deed of Assignment.

Observations and Opinions

9. Our investigation found that HKHA had stated clearly in the HOS sales brochure, application form and sale and purchase agreement that the owners would have to reinstate the flat when selling it back to HKHA. Consequently **complaint (a) was unsubstantiated**.

10. On complaint (b), this Office considered it reasonable that HD insis that inspection of the flat would be conducted upon confirmation of the date of execution of assignment. Nevertheless, misunderstanding did due to insufficient communication between HD and the complainant: they had interpreted “inspection” differently. The misunderstanding might have been avoided if HD had informed the complainant earlier in writing of the different arrangements between the two inspection processes. As HD h established procedures, this complaint point was **unsubstantiated**.

11. As mentioned above, insisting on conducting inspecti confirmation of the date of execution of assignment, HD was complying with departmental requirements. It had no intention to delay the i process. Consequently, **complaint (c) was unsubstantiated**.

12. As it was confirmed that the wooden door referred to by the complainant could not be re-used, this Office considered it reasonable for HD to discard it. **Complaint (d) was unsubstantiated**. However, if HD had informed t complainant earlier in writing of the standard of reinstating the flat, he might not have misunderstood that HD discarded the wooden door to increase the cost of reinstatement.

13. HD staff claimed they had already informed the complainant about the additional cost for supervision when he requested to sell back the flat. This requirement was stated on the “final inspection”. As the complainant and HD staff ma arguments, this Office could not ascertain whether the complainant learned about the supervision charge prior to the inspection. However, the

“quotation” signed by the complainant during the “final inspection indicated that HD would charge him a 20% on-cost. This Office was of the view that the complainant should have known about the requireme signed the document and so he was not deceived. Thus, **complaint (e) was unsubstantiated**.

14. As for the quotation, HD’s staff did not foll guidelines. They had tried to take a “short cut” and use the “quotation” a “consent form” for the complainant to sign. This Office consider doing so, HD’s staff had deprived the complainant of his right to object to the costs quoted. Moreover, the completed “quotation” was not sent to th complainant until after the assignment had been executed. Although it seemed to have met HD’s requirements, i.e. to issue the quotation within seven days of the final inspection, it really did not se This Office considered that HD committed an obvious mistake. In this light, **complaint (f) was substantiated**.

Conclusions and Recommendations

15. This Office considered the complaint overall **partially substantiated**.

16. This Office suggested that HD apologise to the complainant for using the “quotation” as “consent form”; to take measures to prevent recurrence; to explain clearly the process of inspection to owners; to infor the owners in writing of the standards of r for quotation and the charge of 20% for supervision; and to ensure issue of a proper quotation before execution of assignment.

Response from HD

17. HD accepted all our recommendations.

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